

Executive Summary

Real gross domestic product (GDP), an inflation-adjusted measure of the total output of goods and services produced in the United States, was estimated to have grown by a healthy 4.6 percent in the third quarter of FY02. Consumer spending, which accounts for two-thirds of real GDP, experienced growth of 3.1 percent. Industrial production rose 1.8 percent in the third quarter, following five consecutive quarters of decline.

Kentucky's personal income is estimated to be \$103.6 billion annually in the third quarter, rising by 2.2 percent from a year ago. In comparison, U.S. personal income rose 2.7 percent during this period. Wages and salaries in Kentucky rose by 3.4 percent in the third quarter, compared to 2.2 percent nationally. Nonagricultural employment increased by 7,800 jobs, resulting in growth of 0.4 percent. In contrast, national employment fell by 1.0 percent.

General Fund revenues for the third quarter of FY02 fell 5.5 percent from the third quarter of the previous fiscal year. Receipts totaled \$1,479.1 million. Variations in the quarterly receipts are affected by differences in the timing of payments into the revenue accounts. This quarter, corporation income tax and individual income tax receipts were affected by an increase in refund payments.

Sales and use tax receipts rose by 0.2 percent in the third quarter of FY02. Individual income taxes dropped 6.3 percent, and were affected by the faster turnaround of refunds. Refunds of corporation income taxes exceeded \$14.1 million. The coal severance tax rose by 15.9 percent in the third quarter. Property taxes were down sharply by 7.7 percent, primarily due to timing. Lottery revenues were up 2.6 percent over the third quarter of FY01. The "all other" category, which represents the remaining accounts in the General Fund, were down by 2.8 percent compared to the third quarter of last fiscal year.



The Road Fund grew by a healthy 8.6 percent from the third quarter of FY01. There were increases in most major accounts. Motor fuels taxes were up by 12.8 percent. The motor vehicle usage tax was also up 12.9 percent, due to higher sales associated with the dealer incentives. The weight distance tax rose by 1.0 percent. The remaining accounts in the Road Fund declined by 4.9 percent.

The interim revenue estimate for the next three fiscal quarters calls for General Fund revenues to fall by 0.8 percent from the fourth quarter of FY01. For the entire fiscal year, total General Fund collections are expected to fall by the same 0.8 percent. Total General Fund receipts should stand at \$6,602.2 million for the year. The sales and use tax is projected to

grow by 2.0 percent in the final quarter. The individual income tax is forecasted to expand by 2.9 percent, as higher refunds restrain growth in this tax. Corporation income and license taxes are expected to drop 20.6 percent in the final quarter due to lower expected declarations and higher refund payments. The coal severance tax should rise by 8.3 percent in the fourth quarter of FY02. Property taxes are expected to shrink by 12.0 percent due to timing issues. Lottery revenues should rise by 7.8 percent, as a change in the timing of deposits will improve receipts in the final quarter. In the “all other” revenue category, receipts should decline by 10.6 percent in the fourth quarter of FY02.

During the first two quarters of FY03, General Fund collections are projected to increase by 2.7 percent, to total revenues of \$3,363.3 million. Sales and use tax revenues should rise by 2.4 percent, individual income taxes are projected to increase by 1.2 percent, and corporation income and license taxes should decline by 5.9 percent. The coal severance tax is forecasted to fall, with a decline of 2.8 percent, and property taxes are forecasted to drop 2.0 percent. Lottery revenue

should decline 7.2 percent, and the “all other” category is projected to expand 25.7 percent. Revenues in the first half of FY03 should be further boosted by the enactment of the tax amnesty program by the 2002 Kentucky General Assembly. This should add \$18.4 million to the General Fund.

Road Fund revenue estimates for the remainder of FY02 call for a slight growth of 0.6 percent compared to the final quarter of FY01. Total Road Fund revenues for the year are expected to reach \$1,111.3 million, an increase of 4.4 percent from the previous year. Motor fuels taxes are projected to increase by 2.9 percent in the fourth quarter. Motor vehicle usage taxes are forecasted to grow by 2.2 percent. License and privilege taxes (excluding the weight distance tax) are expected to grow 2.2 percent. The weight distance tax and toll income should be unchanged. “All other” revenues should rise by 0.6 percent.

For the first two quarters of FY03, the Road Fund is forecasted to decline by 5.0 percent, with total revenues of \$512.4 million.

The state's fiscal year, which begins on July 1, will be used as the time frame throughout this report, i.e., the third quarter of FY02 covers the January-March 2002 period.

The Economy

NATIONAL ECONOMY

Third Quarter, FY02

Real gross domestic product (GDP) is an inflation-adjusted measure of the total output of goods and services produced in the United States. Real GDP is estimated to have increased by a healthy 4.6 percent in the third quarter. At first glance the strong growth seems to signal the end of the recession that began in March 2001. However, approximately four percentage points of the 4.6 percent are inventory adjustments. Inventories are being ramped up to counter a massive decline over the past six quarters. The change in business inventories reflects the belief by businesses that the economy will revive in the near future.

A year ago the economy began to slow down substantially. Real GDP grew 1.3 percent, consumption by 3.0 percent, and business

investments fell 0.2 percent. The slowdown in the economy and the ensuing recession can be directly linked to the rapid drop in investment. Total investment comprises about one-fifth of real GDP and is usually sensitive to both interest rates and future expansion opportunities. The investment component of GDP is estimated to have dropped 4.5 percent during the third quarter of FY02, following a decline of 13.8 percent in the previous quarter. Just six quarters ago

(July to September 2000) investments were growing by 7.1 percent as businesses poured money into start-ups and expansions. Following a decline in the NASDAQ in March 2000, business investments started to dry up even though the Fed ratcheted down short-term interest rates.

Consumers have been the main driver for both the national and Kentucky economies. In spite of the recession, national consumption patterns haven't changed substantially. Two-thirds of real GDP is comprised of consumption expenditures. Total real consumption increased by 3.1

percent in the third quarter, following an impressive increase of 6.1 percent in the previous quarter. Traditionally, a slowdown is felt most strongly in the consumption of durable goods. During the January to March quarter the consumption of durable goods dropped dramatically by 11.7 percent, but this was largely due to the massive increase of 39.4 percent in the previous quarter. Zero-percent financing and other rebates shifted

auto sales that would have normally occurred in this quarter to the earlier period.

In contrast to the decline in the consumption of durables, the consumption of nondurable goods was up 7.7 percent, spurred mostly by the purchase of clothing and shoes. Services constitute a little over one-half of all consumption and about 35 percent of total GDP. The consumption of services increased by 4.3 percent during the



second quarter. Much of the increase came in personal and business services.

GOEA carefully monitors industrial production because it is a measure of the output of heavy industries like mining and manufacturing. These industries continue to play a vital role in Kentucky's economy. Industrial production is a raw measure of output of final products. After five successive quarters of decline, industrial production was up 1.8 percent during the third quarter. The manufacturing portion of the index was also up by 1.8 percent following a decline of 6.6 percent in the previous quarter. Factory capacity utilization in January to March was 73.2 percent, the second lowest utilization rate in 19 years.

Personal income, a measure of spending power, was \$8,875.0 billion in the third quarter, for an annualized increase of 5.0 percent over the previous quarter. Real disposable income was up dramatically by 9.7 percent following a decline of 8.1 percent in the previous quarter.

Low energy prices during the third quarter kept inflation in check. As measured by the annualized change in the consumer price index, inflation was 2.6 percent. The unemployment rate was up to 5.6 percent compared to 4.2 percent a year ago.

Total nonagricultural employment declined by 0.8 percent. Manufacturing employment registered its seventh quarter of decline with losses of 6.3 percent. There was a sharp drop of 8.5 percent in durable goods manufacturing jobs, while nondurables declined by 3.0 percent. In spite of low interest rates and renewed building

activity, construction employment declined by 3.1 percent. The airline and other transportation sectors declined by 3.0 percent, as did the communications industry. The declining employment picture was propped up by small gains in the services sector (up 0.6 percent) and government (up 1.0 percent).

STATE ECONOMY

Personal income is the broadest measure of a state's economic performance. Kentucky's personal income is estimated to be \$103.6 billion in the third quarter of FY02, an increase of just 2.2 percent from a year ago. U.S. personal income grew by 1.3 percent during the same period. Wages and salaries constitute a little over half of personal income. Income derived from wages and salaries is estimated to have grown by 3.4 percent in FY02:3, compared to 2.2 percent nationally. Kentucky's slightly higher growth is due to relatively higher gains in mining and the service industry. The slide in Kentucky manufacturing, though severe, was not as steep as the U.S. average. Other areas of personal income, namely dividends, interests, and rent as well as proprietors' income, grew almost at par with the national economy.

Employment data is commonly used to gauge the strength of the state's economy, primarily because of its timely availability and its impact on consumer spending and confidence. Kentucky gained approximately 7,800 jobs during the third quarter, resulting in a 0.4 percent increase in nonagricultural employment. In contrast, U.S. nonagricultural employment declined by 1.0 percent.

Manufacturing jobs in Kentucky have been the hardest hit by the recession. During the third quarter, manufacturing employment dropped by 5.6 percent, resulting in a loss of 17,700 jobs. Except for employment in the food and kindred products sector all other manufacturing industries posted a decline. Among the hardest hit industries were textile and apparel (down 7.1 percent), industrial machinery (down 8.8 percent), and electronic equipment (down 10.9 percent). Even the automotive sector posted a loss of 0.9 percent. Although automobile sales were brisk, production had slowed down to keep inventories at a manageable level.

A little over one-fourth of Kentucky's nonagricultural jobs are in the services sector. This sector also had good numerical as well as percentage increase with a gain of 14,200 jobs for an increase of 2.9 percent. In a departure from the recent past, the growth in services came primarily from the higher paying area of health services (up 3.2 percent). Business services, which include computer

programming, personnel supply services, and maintenance services, were down slightly -0.3 percent.

Employment in the transportation, communication, and public utilities sector was down 3.1 percent. The transportation sector in Kentucky is dominated by air transportation. The terrorist attacks in September sharply decreased passenger and cargo traffic and affected the major hubs in northern Kentucky and Louisville. Employment in air transportation was down 4.1 percent. Construction in Kentucky was up slightly by 0.2 percent in sharp contrast to the national decline. Initial data indicates that most of the gain was in heavy construction, and not in residential construction.

Overall, the slight gain in both personal income and employment relative to the national economy would seem to indicate that the Kentucky economy is ready for a turnaround. However, a single quarter of data is not sufficient to make this pronouncement.

*Data for third quarter FY02
U.S. economic activity are de-
rived from estimates made by
DRI/-WEFA Control Senario,
April 2002.*

Table 1
National Economic Indicators
Third Quarter, FY2002

	FY01:3	FY02:2	FY02:3*	SAAR** FY01:3 to FY02:3	FY01:3 to FY02:3 Percent Change
Real GDP (billion 1996 \$)	9,334.5	9,348.6	9,454.5	4.6	1.3
Personal Income (billion \$)	8,640.2	8,767.2	8,875.0	5.0	2.7
Real Disposable Income (billion 1987 \$)	6,679.0	6,773.8	6,932.7	9.7	3.8
Consumer Price Index (annual percent change)	3.9	-0.3	2.6	-	-
Industrial Production (annual percent change)	-6.1	-6.6	1.8	-	-
Civilian Labor Force (millions)	141.8	142.3	142.2	-0.2	0.3
Total Nonagricultural Employment (millions)	132.6	131.5	131.2	-0.8	-1.0
Manufacturing Employment (millions)	18.2	17.2	16.9	-6.3	-7.1
Unemployment Rate (percent)	4.2	5.6	5.6	-	-

Sources: DRI-WEFA, and U.S. Dept. of Commerce, Bureau of Economic Analysis

* Data for FY02:3 are April 2002 estimates

** Seasonally adjusted annual percent growth rate

Table 2
Selected Kentucky Economic Indicators
Seasonally Adjusted Data
(Thousands)

	FY01:3	FY02:3	Change	Percent Change
Total Personal Income (\$ millions)	101,367	103,572	2,205	2.2
Wage & Salary Income (\$ millions)	56,298	58,228	1,930	3.4
Total Nonagricultural Employment	1,823.7	1,831.5	7.8	0.4
Mining	19.4	19.6	0.3	1.4
Construction	87.4	87.5	0.1	0.2
Manufacturing	314.8	297.1	-17.7	-5.6
Transportation, Communication, & Public Utilities	109.5	106.1	-3.4	-3.1
Trade	427.3	442.8	15.4	3.6
Finance, Insurance, and Real Estate	74.8	71.8	-3.0	-4.1
Services	482.1	496.3	14.2	2.9
Government	308.4	310.3	1.9	0.6

Note: Numbers may not add due to rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis
GOEA's Macromodel of Kentucky Forecast, April 2002
Kentucky Cabinet for Human Resources

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Revenue Receipts

THIRD QUARTER, FY02

General Fund

The third quarter of FY02 posted a significant drop from the third quarter of FY01 after several quarters of slowing growth. Receipts in the third quarter totaled \$1,479.1

million compared to \$1,565.7 million received in the third quarter of FY01, a 5.5 percent decline. Collections in the major revenue categories are shown in summary form

in Table 3. Detailed information on these and other accounts is available in the Appendix.

Variations in the quarterly receipts are affected by differences in the timing of payments into revenue accounts. This was true for both individual and corporate income taxes, where timing differences resulted from the processing of refund claims. Property taxes also were affected by timing differences, with receipts shifted into the first two quarters compared to last year.

Total sales and use tax receipts for the quarter were \$560.3 million, compared to \$559.3 million in the third quarter of FY01. This 0.2 percent growth rate for

sales and use tax receipts continues to be less than official estimates.

Individual income tax receipts were \$556.0 million, compared to last year's third-quarter receipts of \$593.3 million. The

decline was 6.3 percent, and was partly the result of individual refunds being processed more quickly than last year.

Corporation income tax receipts decreased in the third quarter of FY02 because of much higher refund claims and lower declaration payments. Net

revenues were down \$14.1 million, compared to a year earlier increase of \$28.1 million.

Property tax receipts were 7.7 percent less than the third quarter of a year ago, primarily due to timing differences in receipts. FY02 third-quarter receipts of \$110.0 million compare with \$119.1 million from the same period of FY01.

Coal severance tax continued its recent increase, with revenues up by 15.9 percent. Collections of \$39.3 million compare to the FY01

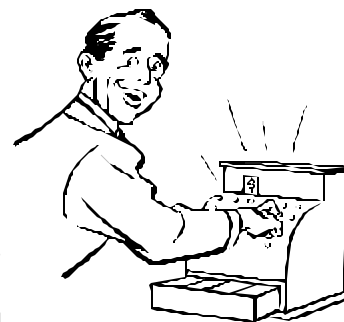


Table 3
Summary General Fund Receipts
Third Quarter, FY2002
(Millions of Dollars)

Type Tax	FY02	FY01	Percent Change
Sales and Use	560.3	559.3	0.2
Individual Income	556.0	593.3	-6.3
Corporation Income	-14.1	28.1	--
Coal Severance	39.3	33.9	15.9
Property	110.0	119.1	-7.7
Lottery	39.0	38.0	2.6
All Other	188.6	194.0	-2.8
TOTAL	1,479.1	1,565.7	-5.5

third-quarter total of \$33.9 million.

Lottery receipts were \$39.0 million, up 2.6 percent from last year's third-quarter total of \$38.0 million.

The "all other" category, which represents the remaining accounts of the General Fund, decreased by 2.8. Third-quarter receipts for FY02 were \$188.6 million and compare to \$194.0 million in FY01.



Road Fund

The Road Fund reported a significant increase in the third quarter of FY02, following a strong second quarter. Receipts were up 8.6 percent from the third quarter of FY01. Receipts totaled \$278.7 million and compare to \$256.5 million from the third quarter of last year. Summary data are contained in Table 4 and detailed data are shown in the Appendix.

Motor fuels tax receipts grew at a rate of 12.8 percent during the third quarter. Receipts were \$107.6 million and compare to \$95.4 million collected during the third quarter of last year.

Motor vehicle usage tax also increased strongly in the third quarter, with receipts up by 12.9 percent. Receipts during the third quarter of FY02 totaled \$106.1 million and compare to \$93.9 million collected during the same period last year.

Weight distance tax receipts of \$18.7 million represent a 1.0 percent increase over receipts of \$18.5 million during the third quarter of FY01.

The remainder of the accounts in the Road Fund fell 4.9 percent from a year earlier. In the "all other" category revenues of \$46.3 million were down from \$48.7 million in the third quarter of FY01.

Table 4
Summary Quarterly Report - Road Fund
Third Quarter, FY2002

<u>Type Tax</u>	<u>FY02</u>	<u>FY01</u>	<u>Percent Change</u>
Motor Fuels	107.6	95.4	12.8
Motor Vehicle Usage	106.1	93.9	12.9
Weight Distance	18.7	18.5	1.0
All Other	46.3	48.7	-4.9
TOTAL	278.7	256.5	8.6

Revenue Outlook

REVENUE OUTLOOK: Interim Forecast

GENERAL FUND

Projected General Fund revenues for the next three quarters are shown in Table 5 on page 14. General Fund revenues were \$4,755.0 million in the first three quarters of FY02, a decline of 0.8 percent from the same period a year ago. Our revenue decline mirrors the national economic recession and its disproportionate impact on Kentucky's economy. Anticipated revenues for the final quarter of FY02 total \$1,847.2 million, corresponding to a continued rate of decline of 0.8 percent from the previous fiscal year. Revenues in the first half of FY03 should grow by 2.7 percent, for a total of \$3,363.3 million. All legislative changes from the 2002 Regular Session are included in this interim analysis. These are embedded within the lines for the individual taxes affected, except for the revenue impact of Tax Amnesty (HB 614), which applies to all taxes and has not been estimated for the separate tax categories.

Total sales and use tax receipts for the first three quarters of FY02 were \$1,719.5 million, with a year-to-date growth of just 2.1 percent. The projected rate of growth during the final quarter of FY02 calls for \$575.1 million, or 2.0 percent. In the first two quarters of FY03, sales and use tax revenues should be \$1,186.9 million, reflecting a growth of 2.4 percent.

The interim forecast for the individual income tax calls for modest growth of 2.9

percent for the remainder of FY02, amounting to collections of \$886.5 million. The individual income tax declined by 1.0 percent in the first three quarters of FY02. Growth in our income tax forecast is consistent with expectations for a moderate economic recovery beginning in the spring of 2002. Slow growth in withholding and declaration payments will prevent this source of revenue from rising more rapidly. It is also assumed that refund payments will be slightly higher, based on year-to-date results from tax returns filed.

The outlook for the corporation income and license tax projects a decline of 20.6 percent in the final quarter of FY02, representing collections of \$145.1 million. These anticipated collections will bring the FY02 total to \$311.5 million, a decline of 28.8 percent from FY01. The projected declines reflect the harsh impact the national recession has had on corporate earnings and on valuations of capital.

The coal severance tax has risen sharply in the first three quarters of FY02, in contrast with most General Fund sources. Its rapid rise has been due to a delayed impact of higher energy prices during 2000 and early 2001. It is anticipated that coal production and prices will revert to their long-term trends, and that sustained advances in the severance will give way later in the current calendar year. For



this reason coal severance tax revenues are projected to grow by 8.3 percent in the final quarter of FY02, but fall by 2.8 percent in the first two quarters of FY03. FY02 is expected to close with total coal severance tax receipts of \$164.6 million, an increase of 16.3 percent over FY01.

Property tax receipts totaled \$376.1 million in the first nine months of FY02, with a growth rate of 3.5 percent. Some of the growth is the result of accelerated payments, which will reverse itself in the final quarter. It is expected that the final quarter of FY02 will yield \$38.7 million in property taxes, a decline of 12.0 percent from the previous year. Collections in the first six months of FY03 should also decline by 2.0 percent, as collection patterns return to normal.

Lottery revenues grew by 7.6 percent in the first three quarters of FY02. Part of this increase is attributable to a one-time payment of \$10 million received from the lottery as a result of unprecedented sales in the Powerball game in the summer of 2001. Additional windfall money is expected to be remitted to the General Fund in the final quarter of FY02, resulting in growth of 7.8 percent. Total lottery revenues should be \$169.0 million in FY02. In the first half of FY03, lottery revenues are projected to decline by 7.2 percent.

The “other” category contains estimates for several of the smaller revenue sources not otherwise classified. Although these taxes are aggregated for purposes of display, they are estimated individually with models of varying analytical rigor. We anticipate a decline of 10.6 percent in the fourth quarter of FY02. Most of the

decline is expected from the inheritance tax, minerals severance and natural gas severance taxes, and the bank franchise tax. These are offset somewhat by a projected increase in investment income. In the first six months of FY03, legislation enacted during the 2002 Regular Session increasing court filing fees is expected to fuel the growth in the “other” category, leading to an increase of 25.7 percent over the first six months of FY02.

An estimate of the revenue impact of tax amnesty is included at the bottom of Table 5. Total revenues expected from amnesty are \$20.4 million in FY03. The Revenue Cabinet expects to initiate the amnesty in the early months of FY03, and anticipate that 90 percent of the revenue gains will be realized within the first six months of the fiscal year. For this reason, we are projecting amnesty revenues of \$18.4 million in the first two quarters of FY03.

ROAD FUND

Road Fund revenues surged by 5.9 percent in the first three quarters of FY02, with collections totaling \$818.0 million. Collections are expected to stall in the final quarter of the fiscal year. GOEA anticipates growth of just 0.6 percent during the next fiscal quarter, bringing the entire fiscal year collections to \$1,111.3 million, a growth rate of 4.4 percent over FY01. For the first two quarters of FY03, the Road Fund is projected to contract by 5.0 percent. The sources of Road Fund receipts are listed in Table 6.



Motor fuels, heavy vehicle fuel surtax, and motor fuels normal use tax receipts are expected to rise by 2.9 percent during the remainder of FY02. The growth in these taxes is an artifact of FY01, which saw collections decline by 4.6 percent in the fourth quarter. Receipts in the first half of FY03 are expected to fall by 2.5 percent in light of higher future predicted motor fuel prices.

Motor vehicle usage tax collections have risen 9.7 percent in the first three quarters of FY02. Much of the increase is from higher sales brought about by factory rebates and no-interest financing offered by auto manufacturers. GOEA anticipates that some of the recent surge in sales comes at the expense of future sales; thus

the outlook is for this growth to moderate. The motor vehicle usage tax will rise by 2.2 percent in the final quarter of FY02, and will fall by 5.7 percent in the first two quarters of FY03.

To estimate the other components of the Road Fund, Transportation Cabinet officials assess the recent performance as well as administrative factors in developing an updated estimate. Based on the latest evaluation, license and privilege taxes are expected to grow by 2.2 percent in the final three months of FY02. The weight distance tax and surcharge are estimated to be flat, toll income will be flat, and investment income will fall by 37.3 percent due to lower interest rates.

The interim estimates of the General Fund and Road Fund do not represent a revision of the official revenue estimates of the Consensus Forecasting Group. The interim estimates are prepared independently by the Governor's Office for Economic Analysis within the Office of State Budget Director. The estimates for the final two quarters of FY02 and first quarter of FY03 are presented in compliance with KRS 48.400.

Table 5
General Fund: Interim Estimate
(millions of dollars)

April 2002

	FY02 Quarters 1, 2, & 3		FY02 Quarter 4		FY02 Full Year		FY03 Quarters 1 & 2	
	Actual	% Chg Year Ago	Estimate	% Chg Year Ago	Interim Estimate	% Chg Year Ago	Estimate	% Chg Year Ago
Sales & Use	1,719.5	2.1	575.1	2.0	2,294.6	2.1	1,186.9	2.4
Individual Income	1,898.9	-1.0	886.5	2.9	2,785.4	0.2	1,358.6	1.2
Corporation Income	166.5	-34.7	145.1	-20.6	311.5	-28.8	139.0	-5.9
Coal Severance	122.6	19.3	42.0	8.3	164.6	16.3	81.0	-2.8
Property	376.1	3.5	38.7	-12.0	414.8	1.8	260.8	-2.0
Lottery	127.0	7.6	42.0	7.8	169.0	7.6	81.7	-7.2
Other	344.4	-2.1	117.8	-10.6	462.2	-4.4	236.9	25.7
AMNESTY							18.4	
GENERAL FUND	4,755.0	-0.8	1,847.2	-0.8	6,602.2	-0.8	3,363.3	2.7

Table 6

Road Fund: Interim Forecast
(millions of dollars)

April 2002

	FY02			FY02			FY02			FY03		
	Quarters 1, 2 & 3			Quarter 4			Full Year			Quarters 1 & 2		
	Actual	% Chg Year Ago		Interim Estimate	% Chg Year Ago		Interim Estimate	% Chg Year Ago		Interim Estimate	% Chg Year Ago	
Motor Fuels & MF Use/Surtax	329.3	4.4		112.1	2.9		441.4	4.0		212.8	-2.5	
Motor Vehicle Usage & Rental	318.3	9.7		109.1	2.2		427.4	7.7		200.0	-5.7	
License & Privilege (excl. WD)	65.9	11.9		37.4	2.2		103.3	8.2		37.4	-0.8	
Weight Distance Tax/Surtax	56.7	-0.2		18.3	0.0		75.0	-0.1		37.8	-0.5	
Nontax Rec and Fees	47.8	-6.8		16.4	-22.1		64.2	-11.3		24.4	-26.1	
Toll Income	10.2	13.3		3.4	0.0		13.6	9.7		7.1	0.7	
Investment	21.9	-20.4		7.9	-37.3		29.8	-25.7		7.6	-53.1	
Other	15.7	6.1		5.1	0.6		20.8	4.7		9.8	-0.5	
Road Fund	818.0	5.9		293.3	0.6		1,111.3	4.4		512.4	-5.0	

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APPENDIX

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KENTUCKY STATE GOVERNMENT - GENERAL FUND REVENUE

	Third Quarter 2001 - 2002	Third Quarter 2000 - 2001	Percent Change
TOTAL GENERAL FUND	\$1,479,144,093	\$1,565,727,217	-5.5
Tax Receipts	1,419,116,016	1,509,849,469	-6.0
Sales and Gross Receipts	623,435,999	616,703,162	1.1
Beer Consumption	1,429,568	1,314,352	8.8
Beer Wholesale	7,552,432	6,960,010	8.5
Cigarette	3,267,658	3,320,256	-1.6
Distilled Spirits Case Sales	20,599	20,534	0.3
Distilled Spirits Consumption	2,080,449	2,062,139	0.9
Distilled Spirits Wholesale	3,902,027	3,716,577	5.0
Insurance Premium	42,019,754	37,203,810	12.9
Pari-Mutuel	734,715	779,742	-5.8
Race Track Admission	41,619	8,785	373.8
Sales and Use	560,250,274	559,271,959	0.2
Wine Consumption	458,223	442,266	3.6
Wine Wholesale	1,678,681	1,602,733	4.7
License and Privilege	123,366,201	127,115,170	-2.9
Alc. Bev. License Suspension	49,900	2,300	2069.6
Coal Severance	39,314,127	33,925,801	15.9
Corporation License	32,819,190	38,341,637	-14.4
Corporation Organization	57,125	44,284	29.0
Occupational Licenses	40,918	-51,060	—
Oil Production	498,660	698,527	-28.6
Race Track License	47,075	42,000	12.1
Bank Franchise Tax	45,739,483	46,988,057	-2.7
Driver License Fees	124,169	109,871	13.0
Minerals Severance	2,220,896	2,076,217	7.0
Natural Gas Severance	2,454,659	4,937,535	-50.3
Income	541,847,056	621,476,122	-12.8
Corporation	-14,109,150	28,133,050	—
Individual	555,956,206	593,343,072	-6.3
Property	109,973,291	119,100,819	-7.7
Bank Deposits	390,247	355,576	9.8
Building & Loan Association	116,862	197,201	-40.7
Distilled Spirits	-666	214,846	—
General - Intangible	6,329,429	6,039,542	4.8
General - Real	52,815,862	53,351,183	-1.0
General - Tangible	35,589,720	36,323,981	-2.0
Omitted & Delinquent	9,276,324	10,836,378	-14.4
Public Service	5,436,801	11,758,089	-53.8
Other	18,712	24,024	-22.1
Inheritance	17,650,238	22,989,391	-23.2
Miscellaneous	2,843,230	2,464,804	15.4
Legal Process	1,675,160	1,005,910	66.5
T. V. A. In Lieu Payments	1,166,994	1,447,794	-19.4
Other	1,077	11,100	-90.3
Nontax Receipts	58,241,544	54,147,558	7.6
Departmental Fees	5,507,526	4,436,602	24.1
PSC Assessment Fee	980	376	160.4
Fines & Forfeitures	10,246,968	9,605,394	6.7
Interest on Investments	3,315,083	-1,094,814	—
Lottery	39,000,000	38,000,000	2.6
Miscellaneous	170,987	3,199,999	-94.7
Redeposit of State Funds	1,786,533	1,730,190	3.3

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**KENTUCKY STATE GOVERNMENT REVENUE
ROAD FUND REVENUE**

	Third Quarter 2001 - 2002	Third Quarter 2000 - 2001	Percent Change
TOTAL ROAD FUND	\$278,694,277	\$256,536,168	8.6
Tax Receipts-	264,024,539	235,076,646	12.3
Sales and Gross Receipts	217,232,636	193,467,309	12.3
Motor Fuels Taxes	107,643,662	95,429,480	12.8
Motor Fuels Use & Surtax	3,412,163	3,992,546	-14.5
Truck Trip Permits (fuel)	86,940	109,640	-20.7
Motor Vehicle Usage	106,089,870	93,935,643	12.9
License and Privilege	46,791,903	41,609,337	12.5
Motor Vehicles	21,212,754	17,862,573	18.8
Motor Vehicle Operators	1,460,453	1,341,079	8.9
Weight Distance	18,706,827	18,523,893	1.0
Truck Decal Fees	114,024	80,407	41.8
Other Special Fees	5,297,846	3,801,384	39.4
Nontax Receipts	14,076,640	19,984,384	-29.6
Departmental Fees	4,313,195	3,713,052	16.2
In Lieu of Traffic Fines	479,779	538,507	-10.9
Highway Tolls	3,184,841	3,244,761	-1.8
Investment Income	5,680,718	12,300,648	-53.8
Miscellaneous	418,108	187,415	123.1
Redeposit of State Funds	593,097	1,475,138	-59.8

1 *Executive Summary*

3 *The Economy*

9 *Revenue Receipts*

11 *Revenue Outlook*

17 *Appendix: Third Quarter Receipts*
